

REPORT
OF
ACTING COMMISSIONER W. F. O'CONNOR, K.C.
RE
COST OF LIVING

ANTHRACITE COAL

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OTTAWA.

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Report of W. F. O'Connor, K.C., Acting Commissioner re Cost of Living.

To Hon. T. W. CROTHERS,
Minister of Labour.

RE ANTHRACITE COAL.

OTTAWA, May 29, 1917.

SECTION 1.

INTRODUCTORY.

Anthracite coal is extensively used in the eastern and central provinces of Canada. The amount consumed west of Manitoba is negligible. The coal is all imported from the United States. Canada has no known field of anthracite. There is a small coal deposit at Banff, in western Alberta, which is termed anthracite, but it differs from the article generally known under that name. Canadian importations of anthracite during the fiscal year 1916-17 aggregate 4,568,440 tons of 2,000 pounds each.

The United States anthracite region is confined to about 480 square miles of the State of Pennsylvania. It embraces the counties of Susquehanna, Lackawanna, Wayne, Luzerne, Schuylkill, Carbon, Columbia, Northumberland, and Dauphin.

The coal was first mined in 1765 and, at the rate at which production is increasing, the estimated life of the field is about fifty years. However, as the mines deepen mining costs increase and the resulting price for coal will probably restrict consumption. With a declining output it is possible that the mines may not be wholly exhausted in 200 years. It is considered that the period of maximum production has been passed, so that in all probability Pennsylvania's anthracite has already sold at the lowest price that it will ever reach. But the future holds a ray of hope. A fact not generally known is that there are immense deposits of anthracite coal in Alaska. The area of the field is estimated as high as 950 square miles. About 85 square miles are known to be productive. Chemical analysis has proved that this Alaskan anthracite is at least equal to the product of Pennsylvania. Perhaps, therefore, ere the exhaustion of the Pennsylvania field, seemingly insuperable transportation difficulties will have been overcome. Perhaps, indeed, throughout the winter of, say, 1937 or 1938 the survivors of us may sit about our hearths warmed and cheered by the glowing product of the coal fields of Alaska, transported cheaply to us by giant freight ships, through the air. We are living in an age of wonder workers, so who can safely say that this is merely phantasy. It is only a question of time in any event when transportation facilities to the West will ensure for British Columbia and the other western provinces of Canada an abundance of Alaskan anthracite. Prohibitive freight rates operate now to bar the product of Pennsylvania from the entire Canadian West.

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About 90 per cent of the United States production of anthracite coal is controlled by a few large concerns, the principal among them being:—

The Philadelphia and Reading Coal and Iron Co.
The Delaware, Lackawanna and Western Coal and Sales Co.
The Lehigh Valley Coal and Sales Co.
The Susquhanna Coal Co.
The Delaware and Hudson Coal Co.
The Erie Coal and Sales Co.

I have necessarily confined my investigation into the anthracite coal business as conducted in Canada to the matters of costs and prices. I have endeavoured to discover,—

1. Whether the commodity was being unduly accumulated in the hands of dealers, thus producing an artificial scarcity and an enhanced price;
2. Whether the commodity was being offered for sale and being sold by dealers at a fair price;
3. Whether any combines, local or other, existed among dealers, for the stifling of competition, by the fixing of a common price.

I may as well indicate right here my conclusions, some of which will be elaborated as I proceed with this report:—

1. I found no evidence of undue accumulation at any time since the beginning of the war. I found during the season of 1916-17 a general scarcity, instead. Whatever might have been the disposition of any dealer circumstances had not lent themselves to the effectuation of anything like accumulation. At some places there prevailed at times during the past winter almost a famine.

2. I found a most creditable condition as respects the matter of fair prices. The subsequent pages will fully establish this statement. Some rare and only recently reported cases of seeming overcharging are yet engaging my attention. High prices and fair prices are not necessarily different things. It will be enlightening, I am sure, to many, as it was to me, to learn what a very small profit, after all, has been derived by coal dealers, notwithstanding the undoubtedly high prices that the cost of coal to them has driven them to demand.

3. I found no evidence of any general combine as to prices, but I did find ample evidence of local combines (illegal because in partial restraint of competition), made up of all or mostly all of the local coal dealers, in practically every city in Canada. In order to be fair, however, I have to admit that notwithstanding the illegal character of such combinations, they have not been responsible, so far as I can discover, for any enhancement of prices. If price enhancement was their object that object failed. Failure, of course, does not absolve from guilt. It is trite law that the illegality of a combination does not depend upon its success in the effecting of its purposes. But I do not believe that the enhancement of prices is the object of such combinations. They have a different, also illegal object, with which object I must confess considerable sympathy, and my regret that it is illegal, and, as such reprehensible and condemnable. I think that the main object of such local associations is the avoidance of price cutting wars, resulting in sales below cost, as among their members. They attempt to effect this purpose by the setting from time to time of a ruling or common price. They do not bind their members to invariable adherence to such price. It is intended as an assistance to price stabilization. They discovered years ago that invariable adherence to a fixed price was impossible to secure in the coal trade, so they now agree in the

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most informal way upon a ruling local price or quotation, reserving liberty to each to actually sell below that price, in particular instances, at discretion. This is a very weak species of arrangement but it is in the great majority of cases the only possible arrangement. Its intention is to restrict competition as to price and so it is illegal. Whether as a matter of fact such an arrangement can ever operate to produce unfair prices it is not necessary for me to consider. In the case of the coal dealers it has not so operated. The weakness of the structure of such associations seem to be the consumer's best shield. So slender is the tie that binds the coal dealers together in such local associations that the figures for the from time to time arranged ruling price or quotation are necessarily set by those dealers, whether in the majority or minority, who desire to fix the ruling price lowest. Unless those who would set a higher figure accede there is danger of a breach of relations and an ensuing price war with sales below cost. The avoidance of price wars being the primary object of such associations the lowest desired common price rules. Price wars of a local character have been not uncommon. I shall furnish instances of such and of their effects. I am of those who believe, for reasons elsewhere in this report expounded, that their effects are prejudicial to dealer and consumer alike. The organization of some of these local associations is of the loosest kind. Hardly any of them have any formally expressed agreement as among their members and it is amusing to a lawyer to note the solemn assurance with which this fact is often stated by those in business as freeing them from the responsibilities incident to the existence of an illegal business arrangement under our criminal law. Their arrangements are, in fact, as well understood, and in law as much against the law (even though they be formed by resort to the nod, the wink or the smile) as if executed with the most elaborate formality. While I have throughout my investigations properly conceded the legality of trade organizations designed to promote trade interests, I have insisted always upon the avoidance of combinations or agreements as to prices and I have exacted many obligations to abstain from such.

The figures and information compiled for the purposes of this report embrace the years 1913, 1914, 1915, 1916, and 1917, to date of report. Because the conditions vary so much as between different localities, it has been thought best to divide the territory covered into five zones as follows:—

The Maritime Provinces,
Quebec and Eastern Ontario,
Western Ontario,
Northern Ontario.
West of Great Lakes.

Also, as the larger centres or chief distributing points in the various zones largely govern the conditions of supply and demand and thus affect the prices in the surrounding communities, for purposes of brevity this report will be confined to cost and price data at such centres; for example, prices at Halifax will give the basis for Nova Scotia, St. John for New Brunswick, and so on. The report will deal with the abnormal conditions which existed during the past winter, when certain sections were threatened with a coal famine, the reasons for the conditions will be set forth and recommendations will be made looking to the avoidance of future repetition thereof.

I proceed now to show forth the results of my examination of more than 250 Canadian coal dealers as to the cost to them of anthracite coal delivered to their customers, and the charges made by them to such customers for such coal. The

difference will show the clear profit of the dealer. The elements entering into the cost to the dealer are many. Among them must be reckoned the cost of coal at mines, freight, loss in transit, unloading, storing, maintaining storage, degradation, depreciation and operating expenses, including salaries, rent, advertising, loss by bad debts, selling, weighing charges and delivery. These various costs for the purposes of some following comparisons I shall aggregate into three:—

1. Cost at mine,
2. Freight.
3. Receiving costs, overheads and fixed costs.

I have traced these costs as best I could in every individual case of a coal dealer investigated.

First, then, as to the cost at the mine. The coal is the product of a foreign country, so I cannot go into the matter of the cost of mining and selling to the Canadian buyer. I have to accept as my basis of costs the figures as quoted from time to time by the larger mining and sales companies of Pennsylvania and New York as the selling prices at the mines. These selling prices so quoted by companies producing about 90 per cent of the entire output, are uniform as among them. They drop annually on the 1st of April 50 cents per ton and scale upwards monthly 10 cents per ton until September, whereafter the price remains steady during the winter months. Such prices are referred to in the trade as "circular prices." Those who quote them are referred to as the "large operators," and their prices afford the only reliable basis. It should be mentioned, however, that besides the large operators there are some smaller fry known generally as the "independents," who handle only a very small percentage of the total output—not more than 10 per cent and who are "outlaws" when it comes to selling prices and conditions. They act independently in all respects, cutting under the "circular" prices when production is at its maximum and prices at their lowest, and when the market is tight on account of production and transportation being curtailed by labour shortage, strikes, railway congestion, weather conditions, etc., they take every advantage. In the result the average of their prices runs very high and their coal is generally much inferior, containing a much larger percentage of slate and bone than that of the "regular" operators. The main reason for the inferiority in the quality of coal shipped by the smaller "independent" companies is that a "coal breaker" to properly break a mine production, costs about half a million dollars, and only the large operators can afford the installation. It would be a waste of time, therefore, and no practical results would ensue if I were to attempt to take into consideration, otherwise than by way of exception in exceptional and known cases of purchases from "independents," the figures of these smaller dealers. They quote prices independently of each other as well as of the larger concerns. I would have to figure on a new cost price for practically every sale and itemize each transaction, which process on account of the small percentage of business done by them in this country would not be worth while.

Having discovered the cost f.o.b. cars at mines, I next add transportation charges to receiving or delivery point. These prices and freights are usually based on the long ton of 2,240 pounds. From f.o.b. cars or boats at destination the dealer figures on the short ton of 2,000 pounds as it is on the basis of the short ton that coal is sold to the consumer—for example, if coal costs \$4 f.o.b. at mine and freight came to \$3, this would make a cost f.o.b. at destination of \$7 for a ton of 2,240 pounds, which, reduced to a short-ton basis, would be \$6.25. To arrive at the cost laid down to consumer there must be added the overhead and fixed charges, such as the cost of receiving, degradation, storing, handling, selling and general expenses, which, for the purpose of completing this example, might be placed at \$1.60 per ton. This would make the total cost of coal laid down in the customer's cellar \$7.85. A selling price of, say,

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\$8.50 would show a profit of 65 cents per ton, or a fraction over 8 per cent. This is the manner in which costs and selling prices are arrived at in this report.

While all the costs, overheads, fixed charges and selling prices shown in the tabulations hereinafter appearing are not guaranteed to be absolutely correct (this because of the insufficiency or unreliability in many instances of the only available records of transactions) they will be found to be approximately accurate at least. I have applied the communicated knowledge of all to the circumstances of each, thus being enabled to fill in many gaps, and by a system of averaging according to localities I have arrived at costs results which, when tested by application to concrete conditions have always stood the test well. By taking the figures of say a dozen firms within a certain district, covering a certain period, and thoroughly comparing and approximating the same, one is bound to arrive at a pretty-close average and to produce a figure which for all practical purposes is acceptable and reliable.

As already stated the only stable mine cost prices are those quoted by the larger producers, whose prices for the past few years have been at their lowest figure in April of each year. On the first day of that month a premium or discount of 50 cents per ton on all coal purchased and shipped goes into effect and lasts for the month. On the 1st day of May this is reduced by 10 cents, making the discount for that month 40 cents per ton, and in June 30 cents, July 20 cents, and August 10 cents, so that in September the price has gone back to the maximum which rules until the next spring. The lower spring and summer prices are designed to encourage the laying in of large stocks by dealers during the spring and summer months, which are the seasons of cheapest production, when the mines would, perhaps, if no inducement to purchase were offered, be forced to cut down output on account of a slack market. This is also the very best time of the year from a transportation point of view, the railways being then free of the difficulties incident to winter weather. Further, lake and river navigation is proceeding, the handling situation is easiest and cheaper freight rates are available, especially where routing by water is possible.

The figures shown in the different tabulations throughout this report, except where otherwise indicated, cover the calendar year. Coal dealers reckon their year as from April to March, so, where any discrepancies are noted between the figures of any dealer and those shown herein as applicable to any particular section of the country the probable reason may be known. Note also that the figures first given are yearly averages. Presently prevailing prices are dealt with at a later stage of the report. Note further that the averages for 1916 are exclusive of the month of December of that year. The reason for excluding that month is that abnormal conditions developed within it and these continued for a time after the first of this year and throughout the winter. It is my purpose to consider these months of abnormal conditions by themselves.

SECTION II.

AVERAGE COSTS AND PRICES FOR 1913, 1914, 1915, AND 1916.

MARITIME PROVINCES.

On account of the geographical position of these provinces with relation to the Pennsylvania anthracite coal fields, it is practically out of the question to ship all rail. Accordingly all anthracite for these provinces is forwarded through Philadelphia and New York by rail and thence by water, usually in schooners, to destination. While abnormally high sea freights rule, these provinces must pay high prices or do without the coal. The Maritime Provinces, too, are much more likely to be subjected to a condition of shortage, such as obtained during the past season, than are the central provinces or those farther west. They are next to absolutely dependent upon conditions

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prevailing from time to time at New York. They have no known fixed freight rates upon which they can rely, but are dependent upon the possibility of chartering schooners for single trips on the best terms that they can get. Not uncommonly they must buy coincidently with their chance to secure transportation, which means that at times they must buy from the "independents" at exorbitant prices. Understand, therefore, that the following set forth averages are based upon New York and worked out for short tons (2,000 pounds):

	1913.	1914.	1915.	1916.
Cost f.o.b. shipping point..	\$4 50	\$4 50	\$4 45	\$4 85
Freight..	1 15	1 15	1 45	2 85
Receiving costs, overheads and fixed costs..	1 45	1 50	1 60	1 85
Total..	\$7 10	\$7 25	\$7 50	\$9 55
Selling price..	7 65	7 75	8 00	9 85
Profit..	\$0 55	\$0 50	\$0 50	\$0 30

These prices are shown for the city of Halifax and can be taken as a basis for the rest of the province of Nova Scotia, plus rail freight and handling to the various interior points. In smaller centres the overheads and delivery costs being less, they will in most cases absorb at least a portion of the extra rail freight.

From the above figures it will be noted that there was a slightly increased cost in 1914 over 1913 and again in 1915 over 1914, but nothing to speak of as compared with that in 1916 which, as may be seen, was almost altogether due to an advance in freight rates, the average cost of the coal itself having increased only 40 cents per ton over that of the previous year. The reason for the abnormally high freight rates was the scarcity of bottoms to handle coal from New York and Philadelphia, directly due to the increasing demand for all classes of craft owing to the war.

The 1916 figures above are estimated, as previously stated, to November only, as, from that month on, and during the winter, the coal situation, in so far as Halifax was concerned, became abnormal. Rail freight congestion and embargoes in the United States, and inability of the mines to secure cars led to curtailment of production, and this, in conjunction with the difficulty in securing shipping at New York and Philadelphia, tended to "boost" prices to unheard of figures. Dealers were forced to go to the "independents" at New York for supplies and these, always on the look-out to take advantage of such a market, had stored up stocks, and having the whip hand raised their figures to the limit, charging as high as \$10 and \$12 a ton f.o.b. New York and Philadelphia. Coincident with these excessive coal prices were excessive ocean freight charges. Vessels were charging up to \$4.25 a ton for coal to Halifax and St. John. It can readily be seen why coal within these cities retailed during the past winter as high as \$15 per ton. Looking on, the uninformed might well be pardoned for assuming that the coal dealers were making excessive profits, when, as a matter of fact they were making less than ever before. From my investigation and figures before me I am sure that during last winter most Maritime Province dealers lost money because much coal brought in at these excessively high prices was devoted to the filling of contracts and obligations entered into at earlier prevailing prices. In any event the margin of profit was very small.

The following extract from *The Coal Trade Journal* of November 29, 1916, regarding coal investigations then being held in New York city will be of interest in connection with the foregoing remarks as confirmatory of my statements as to the practices of the "independents":—

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“Grand Juries in Three Boroughs begin Taking Testimony as to Wholesale and Retail Prices.”

“The grand jury investigation of coal prices in Manhattan borough was begun last Friday, after District Attorney Swann and his assistants had spent some time in conducting an informal examination of wholesale and retail dealers. The first witness was M. F. Burns, who had previously been examined by Mr. Swann and had told of paying high prices for coal bought from independent operators and middlemen. Mr. Burns objected to telling the names of the firms from whom he bought this high-priced tonnage unless formally ordered to do so. Therefore he was subpoenaed to appear before the grand jury and give full data regarding his purchases.

“Mr. Burns testified that he had bought various cargoes of domestic sizes during October and November at prices ranging from \$6.75 to \$11.95 per ton f.o.b. loading ports, the highest figure being paid on November 2 for a lot of 254 tons. He mentioned several other purchases of several hundred tons each at \$10 a ton and upwards. This coal, he stated, had been sold by him at less than cost, the loss being counterbalanced by averaging in company tonnage bought at the circular. Mr. Burns testified that he was forced to buy from the middle houses because the companies were not supplying him with enough coal to take care of his regular trade.

“Mr. M. F. Burns and several other witnesses examined by Mr. Swann asserted that the various laws and court decisions which had resulted in a larger percentage of the independent tonnage being sold by the operators direct or through the middle houses, instead of through the company agencies, were responsible for the present high prices.

“Joseph Gordon, one of the retail dealers examined, said that the Clayton Act was the whole cause of the trouble. ‘Formerly,’ said Mr. Gordon, there were four or five men who controlled the New York market. Now there are 100 or more. When coal is scarce, as now, the dealer must shop among all these dealers and bid high. These dealers buy at the mines. The competition is high; one offers \$6, another makes it \$6.50, and a third says, ‘I’ll make it \$7.’ The \$7 man gets it and the price goes up. In my thirty years in the business I never saw conditions like this before. Dealers don’t want to sell now. That’s why we’re supplying only regular customers. We can’t get coal for anybody else. I can’t make more than 25 cents a ton profit to save my life.

“Mr. Swann said that in order to continue the coal investigation he would endeavour to have the life of the November grand jury prolonged through December and perhaps January.

“Grand jury investigations of coal prices were also begun in Brooklyn and in Queens last week.”

CHARLOTTETOWN, P.E.I.

	1913.	1914.	1915.	1916.
Cost f.o.b. shipping point.. . . .	\$4 46	\$4 69	\$4 60	\$5 00
Freight.. . . .	1 29	1 25	1 79	3 79
Receiving costs, overheads and fixed charges.	1 25	1 30	1 30	1 45
Total.. . . .	\$ 7 00	\$7 24	\$7 69	\$10 24
Selling price.. . . .	7 35	7 50	8 00	10 60
Profit.. . . .	\$0 35	\$0 26	\$0 31	\$0 36

The overhead and fixed charges shown are low here on account of low delivery charges and light office expenses.

No trouble or shortage was reported from here.

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ST. JOHN, N.B.

	1913.	1914.	1915.	1916.
Cost f.o.b. shipping point..	\$4 60	\$4 60	\$4 55	\$4 95
Freight..	1 12	1 12	1 30	2 87
Receiving costs, overheads and fixed charges..	1 40	1 55	1 65	1 83
Total..	\$7 12	\$7 27	\$7 50	\$9 65
Selling price..	7 75	7 85	8 00	9 90
Profit..	\$0 63	\$0 58	\$0 50	\$0 25

The preceding remarks with reference to Halifax conditions are equally applicable to St. John and the remainder of the province of New Brunswick.

PROVINCE OF QUEBEC AND EASTERN ONTARIO.

The coal for this section of Canada is nearly all brought in by rail. That brought in by water during the season of lake and river navigation is confined to the Lake Ontario and St. Lawrence river ports such as Belleville, Kingston and Brockville, practically all of their supply being freighted across lake Ontario from Fair Haven and Oswego, N.Y., the rate of freight via this route being much cheaper than all rail. Quebec city gets a respectable percentage by water, but Montreal not a great deal on account of there being very little difference between the rail and water rates.

QUEBEC CITY.

	1913.	1914.	1915.	1916.
Cost f.o.b. at mines..	\$3 31	\$3 34	\$3 34	\$3 57
Freight..	2 80	2 85	2 89	2 97
Receiving costs, overheads and fixed charges.	1 25	1 35	1 54	1 06
Total..	\$7 36	\$7 54	\$7 77	\$8 20
Selling price..	7 90	8 00	8 15	8 50
Profit..	\$0 54	\$0 46	\$0 38	\$0 30

The above figures are based on all rail coal. Such coal as is brought in by inland water route during the season of navigation (which is done on account of cheaper freight rates, and as well to assure that a sufficient stock is received) costs less for freightage, but considering the actual quantity of domestic-sized coal received the percentage of loss is very much less after screening and degradation on coal received by rail than on coal received by water. This difference when added, as is proper, to the receiving costs and overheads shows a higher cost for water transported coal. The preceding averages of total costs and selling prices may thus be accepted as fair all round.

The advance of 1916 over the previous year was due to a slight advance in the cost of coal at the mines in April, and an advance of freight rates late in the season. The overhead and fixed charges are gradually getting heavier, owing to advances in the cost of delivery, salaries, etc.

MONTREAL, QUE.

	1913.	1914.	1915.	1916.
Cost, f.o.b. at mines..	\$3 29	\$3 32	\$3 32	\$3 53
Freight..	2 70	2 72	2 72	2 73
Receiving cost, overheads and fixed charges..	1 50	1 65	1 70	1 95
Total..	\$7 49	\$7 69	\$7 74	\$8 21
Selling price..	8 00	8 25	8 25	8 55
Profit..	\$0 51	\$0 56	\$0 51	\$0 34

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The increased cost in 1916 was due to a slight advance at the mines, previously shown in the Quebec figures, and it will run right through these tables. The advance of 1 cent in freight is the proportion of a 5 cents per ton advance registered in September, 1916. It will be noted again that overhead and fixed charges are gradually creeping up, which materially adds to the selling price laid down to the consumer. This is due to the increased cost of all kinds of labour, the principal increase being in the cost of delivery, which, in so far as Montreal is concerned is excessively high on account of the shortage of help and of teams. Further reference will be made to delivery charges and a comparison with Toronto figures will be made when dealing with the figures of the latter city.

In considering the matter of freight rates to Montreal I did not overlook a partial transportation by water during the season of navigation. A certain percentage of coal for this city is routed via the St. Lawrence during the summer. The difference in freight is from 30 cents to 40 cents per gross ton in favour of the water route but on figuring up the excessive loss on coal so shipped as compared with shipment all rail the greater degradation account, shrinkage, screening, etc., and extra cost of unloading and handling, I found that the difference in freight was about evened up.

Montreal dealers make an extra charge for delivery to apartment houses and flats. In cases of deliveries within such dwellings, to those living about the ground floor, an extra charge is added for carrying the coal upstairs, of 25 cents per ton for each story, etc., i.e., first floor up 25 cents extra, second floor 50 cents extra, etc. I will make special reference later on to wholesalers and jobbers and peddlers, their methods of buying and selling, and my remarks will necessarily have some relation to Montreal conditions.

During the past winter conditions in Montreal, as well as at other centres throughout Eastern Canada, became very grave. There was apprehension of a coal famine and there was unquestionably a grave shortage of coal. The Montreal newspaper press alleged that very high prices were being demanded. The Minister of Labour of his own motion inquired of the mayor of Montreal as to the conditions, suggested a municipal investigation under the powers granted by Order in Council and tendered Federal assistance and co-operation. The mayor answered to the effect that the city would itself investigate. The civic authorities instituted an informal inquiry, one not under the powers granted by the Order in Council, and, it is said, was satisfied that there had been instances of overcharging by dealers. However, the city instituted no prosecutions, but long afterwards communicated to the Minister of Labour its opinion that some overcharging had occurred. The Minister of Labour thereupon advised the municipality to communicate the facts to the Attorney General of the province of Quebec, the Minister's power to further pursue municipally instituted investigations being confined to such as are held pursuant to and under authority of the Order in Council mentioned. I understand that the civic authorities let their investigation lapse and took no further action. I consider it unfortunate that the Montreal situation should have eventuated as described. When the Minister tendered to the mayor of Montreal the assistance of the department it was by way of courtesy and with full recognition that as respects local conditions a proper local investigation would be the most effective, especially one assisted by Federal co-operation. The effort failed and co-operation being rejected I abstained from particular inquiry into the rumours as to Montreal conditions. If these rumours were true as high as \$12 to \$15 per ton was being demanded there during February last. These would be excessive prices for the time. Anthracite coal should have been selling there at that time in ton lots delivered for not more than \$9 to \$10 per ton, according to the distance to be hauled; \$10 per ton would have been fair for a long distance haul, but if \$12, \$15, or higher was demanded these prices were unjustifiable. The existence of a scarcity did not warrant an excessive advance especially when the original cost to dealers had not advanced.

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The cost of the coal from the larger producers and sales companies had not advanced a cent. More detailed reference as to prices, etc. in Montreal will be made further on in this report, under the heading of "Costs and Selling Prices during last Winter."

OTTAWA, ONT.

	1913.	1914.	1915.	1916.
Cost f.o.b. at mines.. . . .	\$3 29	\$3 32	\$3 32	\$3 53
Freight.. . . .	2 91	2 95	2 95	2 96
Receiving costs, overheads and fixed charges..	1 25	1 40	1 51	1 62
Total.. . . .	\$7 45	\$7 67	\$7 78	\$8 11
Selling prices.. . . .	7 90	8 00	8 10	8 40
Profit.. . . .	\$0 45	\$0 33	\$0 32	\$0 29

I feel that I should mention here that during the past winter on the occasion of an extreme shortage, the coal dealers of Ottawa acted, to say the least, very fairly indeed by the public. They held their price at the maximum of \$9 per ton in ton lots, when they very easily could have taken advantage of conditions and demanded and received more.

KINGSTON, ONT.

Cost f.o.b. shipping point.. . . .	\$3 29	\$3 32	\$3 32	\$3 53
Freight.. . . .	2 00	2 00	2 05	2 15
Receiving costs, overheads and fixed charges..	1 40	1 45	1 52	1 70
Total.. . . .	\$6 69	\$6 77	\$6 89	\$7 38
Selling prices.. . . .	7 30	7 30	7 40	7 80
Profit.. . . .	\$0 61	\$0 52	\$0 51	\$0 42

The conditions with regard to Kingston are altogether different from those governing most other eastern Ontario centres, for the reason that practically all of the coal for consumption at this point is freighted across Lake Ontario during the season of navigation from Oswego and other lake ports in New York state. This means 60 cents to 70 cents per ton cheaper coal. About 95 per cent of the city's annual consumption is laid in during the lake freighting season so that there is no chance of a winter fuel famine at this place. Witness last winter. The city had coal to spare and shipped some to outside points at the time of the shortage, to the great relief of the recipients.

Most of the above remarks will be applicable to other Lake Ontario points, such as Napanee and Belleville, and also to upper St. Lawrence towns such as Brockville.

WESTERN ONTARIO.

TORONTO.

	1913.	1914.	1915.	1916.
Cost f.o.b. mines.. . . .	\$3 29	\$3 32	\$3 32	\$3 53
Freight.. . . .	2 30	2 30	2 30	2 35
Receiving costs, overheads and fixed charges..	1 35	1 47	1 62	1 87
Total.. . . .	\$6 94	\$7 09	\$7 24	\$7 75
Selling price.. . . .	7 50	7 65	7 75	8 10
Profit.. . . .	\$0 56	\$0 56	\$0 51	\$0 35

The freight rates given above are based on all rail haul, as, while quite a large quantity of coal is brought in by water ex Oswego and other Lake Ontario ports at a cheaper rate, the difference in freight is eaten up by the extra cost of handling and the greater loss and shrinkage. This is always the case as between water and rail transportation. It about evens itself up in the case of Toronto, so that it is quite fair to use the above figures for the aggregate. The condition in this respect is similar to that of Montreal.

Another point in connection with Toronto is in the method of delivery, the greater percentage of coal having to be bagged. The city regulations are very strict in this

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respect. Interference with traffic and obstruction of sidewalks are not tolerated. This naturally adds somewhat to the cost of handling.

As in the case of Montreal there is a great deal of fuel delivered to apartments and flats, which necessitates carrying the coal up one or more flights of stairs. This increases the cost to consumers over and above the selling prices shown above 25 cents per ton and more being added to the cost according to the extra time and labour required to make deliveries.

The delivery facilities in Toronto are more up to date in every way than in Montreal, motor delivery being much more in evidence. This system of delivery, wherever and whenever adopted, materially increases efficiency and tends to reduce cost. As compared with Montreal Toronto has another great advantage, in so far as the item of delivery is concerned, in not having to contend with the steep grades encountered in the former city. The pavements and roads too are kept in much better condition. There is no comparison as between these two cities in so far as winter and spring conditions are concerned, the extremely heavy snow fall and the long and severe winter conditions encountered in Montreal, in conjunction with the hilly nature of the city, making the cost of coal delivery a much more expensive item there than in Toronto.

HAMILTON, ONT.

	1913.	1914.	1915.	1916.
Cost f.o.b. mines..	\$3 29	\$3 32	\$3 32	\$3 53
Freight..	2 23	2 23	2 23	2 24
Receiving costs, overheads and fixed charges..	1 30	1 35	1 50	1 64
Total..	\$6 82	\$6 90	\$7 05	\$7 41
Selling price..	7 40	7 50	5 50	7 80
Profit..	\$0 58	\$0 60	\$0 45	\$0 39

ST. CATHARINES, ONT.

	1913.	1914.	1915.	1916.
Cost f.o.b. mines..	\$3 29	\$3 32	\$3 32	\$3 53
Freight..	2 13	2 13	2 13	2 14
Receiving costs, overhead and fixed charges..	1 20	1 30	1 40	1 53
Total..	\$6 62	\$6 75	\$6 85	\$7 20
Selling price..	7 20	7 30	7 30	7 65
Profit..	\$0 58	\$0 55	\$0 45	\$0 45

LONDON, ONT.

	1913.	1914.	1915.	1916.
Cost f.o.b. mines..	\$3 29	\$3 32	\$3 32	\$3 53
Freight..	2 59	2 59	2 59	2 61
Receiving costs, overheads and fixed charges..	1 25	1 40	1 51	1 63
Total..	\$7 13	\$7 31	\$7 42	\$7 77
Selling price..	7 65	7 75	7 75	8 00
Profit..	\$0 52	\$0 44	\$0 33	\$0 23

ST. THOMAS, ONT.

	1913.	1914.	1915.	1916.
Cost f.o.b. mines..	\$3 29	\$3 32	\$3 32	\$3 53
Freight..	2 59	2 59	2 59	2 61
Receiving costs, overheads and fixed charges..	1 25	1 40	1 46	1 60
Total..	\$7 13	\$7 31	\$7 37	\$7 74
Selling price..	7 65	7 75	7 75	8 00
Profit..	\$0 52	\$0 44	\$0 38	\$0 26

As about the same conditions prevail as to costs, freight and selling prices in Stratford, Kitchener, and Guelph as in London and St. Thomas, the above figures may be taken as representative of these places.

BRANTFORD, ONT.

	1913.	1914.	1915.	1916.
Cost f.o.b. mines..	\$3 29	\$3 32	\$3 32	\$3 53
Freight..	2 41	2 41	2 41	2 43
Receiving costs, overheads and fixed charges..	1 35	1 40	1 50	1 65
Total..	\$6 95	\$7 13	\$7 23	\$7 61
Selling price..	7 50	7 60	7 60	7 90
Profit..	\$0 55	\$0 53	\$0 37	\$0 29

PETERBORO, ONT.

	1913.	1914.	1915.	1916.
Cost f.o.b. mines..	\$3 29	\$3 32	\$3 32	\$3 53
Freight..	3 04	3 04	3 04	3 05½
Receiving costs, overheads and fixed charges..	1 25	1 38	1 45	1 60
Total..	\$7 58	\$7 74	\$7 81	\$8 18½
Selling price..	8 00	7 50	7 60	8 50
Profit..	Loss. \$0 42	Loss. \$0 24	Loss. \$0 21	\$0 31½

It will be noted that a loss is shown for the years 1914 and 1915 at Peterboro. This was due to a price cutting war among the dealers.

The figures as given in the foregoing examples covering the principal cities in Western Ontario can be safely taken as a basis for the whole of that section of the country, all of the coal for the different centres coming through from the mines via the Buffalo and Niagara gateway and circular prices being uniform to the frontier. Therefore in order to arrive at cost price covering the past four years in any other of the cities or towns in this region, the basis cost at mines as quoted above can be taken plus freight to the frontier (\$2 per gross ton) \$1.79 net ton, to which must be added freight to the centre desired plus overhead and fixed charges, which, as a maximum, would run about the same as say St. Catharines for the smaller towns and Peterboro or St. Thomas for the larger, see following two examples:--

GALT, ONT.

	1913.	1914.	1915.	1916.
Cost price frontier..	\$5 08	\$5 11	\$5 11	\$5 32
Local freight..	0 80	0 80	0 80	0 82½
Overhead and fixed charges..	1 20	1 30	1 40	1 53
Total..	\$7 08	\$7 21	\$7 31	\$7 67½

Thus we arrive at the approximate cost price per net ton delivered in Galt.

WINDSOR, ONT.

	1913.	1914.	1915.	1916.
Cost price frontier..	\$5 08	\$5 11	\$5 11	\$5 32
Local freight..	0 89	0 89	0 89	0 91½
Overhead and fixed charges..	1 25	1 40	1 46	1 60
Total..	\$7 22	\$7 40	\$7 46	\$7 83½

It will be noted that there is a slight advance shown in local freight in 1916. This advance of 10 per cent went into effect on September 15, 1916.

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NORTHERN ONTARIO.

NORTH BAY.

	1913.	1914.	1915.	1916.
Cost f.o.b. mines..	\$3 29	\$3 32	\$3 32	\$3 53
Freight..	3 47	3 47	3 47	3 52
Receiving costs, overheads and fixed charges..	1 25	1 25	1 35	1 55
Total..	\$8 01	\$8 04	\$8 14	\$8 60
Selling price..	8 50	8 50	8 60	8 85
Profit..	\$0 49	\$0 46	\$0 46	\$0 25

SUDBURY.

	1913.	1914.	1915.	1916.
Cost f.o.b. mines..	\$3 29	\$3 32	\$3 32	\$3 53
Freight..	4 29	4 29	4 29	4 31
Receiving costs, overheads and fixed charges..	1 25	1 30	1 42	1 58
Total..	\$8 83	\$8 91	\$9 03	\$9 42
Selling price..	9 25	9 25	9 25	9 70
Profit..	\$0 42	\$0 34	\$0 22	\$0 28

SAULT STE. MARIE.

As by far the greater percentage of coal used in this city is brought in by water ex Buffalo and as the same is imported by a couple of large concerns, I will incorporate their figures as supplied for the purposes of this investigation and report:—

First:

	1914.	1915.	1916.
Cost f.o.b. steamer Buffalo..	\$5 98	\$5 65	\$5 60
Freight..	0 75	0 60	0 60
Receiving costs, overhead and delivery..	1 60	1 45	1 95
Total..	\$8 33	\$7 70	\$8 15
Selling price..	9 25	8 50	8 75
Profit..	\$0 92	\$0 80	\$0 60

This firm states as follows:—

“The above statement is taken from our books and will be found absolutely accurate with the exception of a variance of a few cents in costs, not making a difference of more than 5 cents per ton in three years’ statements if detailed copies of our sales records were taken.”

Second:

	1913.	1914.	1915.	1916.
Cost of coal in their sheds..	\$6 00	\$6 05	\$5 75	\$5 74
Overhead and delivery charges..	1 40	1 46	1 45	1 50
Total..	\$7 40	\$7 51	\$7 20	\$7 24
Selling price..	8 78	8 46	8 26	7 60
Profit..	\$1 38	\$0 95	\$1 06	\$0 36

It will be noticed from this return that while the price of coal advances somewhat in 1916 the firm’s cost in this year is somewhat lower than for 1914-15, which can only be accounted for by their having paid the minimum freight charge during the last two years as against the maximum for 1914-15, there being a variation of from 30 cents to 75 cents per ton.

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Another peculiar feature of this return is the extremely low selling price for 1916 as compared with previous years. On being questioned regarding this point they gave the following explanation:—

“In the season of 1915-16 we had three firms who undertook to do a rail business on a cartage basis, that is they got in coal in the winter time to have work for their teams and in order to hold our trade we had to meet their price, in fact we made the price so that they could not clear themselves as we had a big stock on hand and had to sell it. This accounts for the lean year.”

In short there was a local war in the coal trade. Somebody was being taught a lesson.

Comparison between the two foregoing sets of figures shows that the latter concern must have purchased their coal to a great deal better advantage than the former firm or from 75 cents to \$1 per ton less all round.

	Cost Buffalo.	Freight.	Unloading and storing, about.	Total.
First company..	\$5 65	\$0 60	\$0 30	\$6 55
Second company..		Total for above.		5 75
			Difference.	\$0 80

The difference at between the two sets of figures representing overhead and fixed charges is accounted for by the fact that the item covering unloading and placing in storage, which should amount to about 30 cents per ton, is bulked with the cost of coal and freight in the case of the second concern.

In passing I might remark that these companies show by far the best profits of any which I have cognizance of, taking it all in all, for the past four years.

All rail coal for Sault Ste. Marie figures out as follows per net ton:—

	1913.	1914.	1915.	1916.
Cost f.o.b. mines..	\$3 29	\$3 32	\$3 32	\$3 53
Freight..	4 10	4 10	4 10	4 10
Approximate receiving costs, overheads and delivery..	1 30	1 40	1 50	1 65
	\$8 69	\$8 82	\$8 92	\$9 28

Taking average selling prices as given above it can be seen that any all-rail business would be carried on, especially during the past two years, at considerable loss.

WEST OF THE GREAT LAKES.

As with all other conditions those west of the Great Lakes with reference to coal are entirely different from those existing in eastern Canada.

It will be realized at once that in so far as anthracite coal for consumption in northwestern Ontario, Manitoba, and points farther west is concerned, all rail haul is out of the question on account of prohibitive freight rates as against rail and lake transportation during the season of navigation. Hence all supplies of Pennsylvania anthracite for Western Canada are brought in and stored at Port Arthur and Fort William during the lake season. While some of the larger dealers, with headquarters in Winnipeg, purchase their supplies f.o.b. steamers at Buffalo and other shipping ports and store the same on the different docks of the railway companies at Port Arthur and Fort William resizing and screening from time to time as the coal is moved farther west, some of the producing companies place large supplies in stock on their own account which they dispose of to wholesalers and dealers at circular prices f.o.b. cars on somewhat the same basis as at the mines or Buffalo plus extra freight

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and handling charges. Also a certain percentage is sold by the producers on what is known as "consignment basis," that is trade arrangements are made whereby the coal remains in the possession or ownership of the producing company until it is sold, the dealer in effect selling on a commission basis, except that he has to assume liability in connection with credit if any is extended, but is relieved of all liability in connection with storages, degradation, etc.

On account of the different method of handling coal at Port Arthur and Fort William from that prevailing at different points in Eastern Canada, the coal being taken care of, stored and resized by the railway companies or their subsidiaries, the cost is very materially added to, a charge of 50 cents per net ton being made for the above service on coal for local consumption and 30 cents for that shipped to points further west. There is also an additional local freight, or switching charge from storage docks to dealers yards in Port Arthur and Fort William, of 20 cents per ton. Again the loss through degradation is very heavy on coal shipped and handled in this manner. It amounts to at least 40 cents per ton. The above figures totalling \$1.10 are approximately a fair average for the year 1916 and will be shown as a separate item in the following table covering:—

PORT ARTHUR AND FORT WILLIAM.

	1913.	1914.	1915.	1916.
Cost f.o.b. mines..	\$3 40	\$3 40	\$3 40	\$3 65
Freight..	2 10	2 10	2 10	2 10
Storage, screening, degradation and switching charges..	1 05	1 05	1 05	1 10
Overhead, fixed and delivery charges.. . . .	1 10	1 20	1 30	1 40
Total..	\$7 65	\$7 75	\$7 85	\$8 25
Selling prices..	8 20	8 20	8 30	8 65
Profit..	\$0 55	\$0 45	\$0 45	\$0 40

The preceding figures are based on the business of two or three of the larger wholesale and retail dealers and as they take care of by far the greater bulk of the retail business these figures can be accepted as a fair representation of costs and selling prices prevailing during the past four years.

The other smaller business done by a few retailers, who buy from the wholesalers above referred to and from Winnipeg firms who stock at Port Arthur and Fort William, pay on an average about 50 cents per ton more for their supply, but as their overhead, fixed and delivery charges are much less and as on an average they sell at slightly higher prices, their profits on the whole would average about as above.

The figures received as between the two cities show a slight difference as to selling prices, but the above table strikes a fair average.

WINNIPEG.

	1913.	1914.	1915.	1916.
Cost f.o.b. mines..	\$3 40	\$3 40	\$3 40	\$3 65
Freight..	4 40	4 40	4 40	4 40
Re-shipping charges and loss through shrinkage and degradation Port Arthur and Fort William..	0 80	0 80	0 80	0 85
Overhead, fixed and delivery charges.. . . .	1 30	1 40	1 50	1 65
Total..	\$9 90	\$10 00	\$10 00	\$10 55
Selling price..	10 75	10 75	10 25	11 15
Profit..	\$0 85	\$0 75	\$0 15	\$0 60

The above figures are all made up covering the calendar year from January to December, the latter month presenting no abnormalities. This is specially mentioned with reference to Winnipeg in view of the fact that there as in other places the coal

year runs from April to March which naturally would show somewhat different figures. As a matter of fact Winnipeg business showed a loss instead of a profit for their coal year from 1st April, 1915, to March 31, 1916, on account of price cutting, most sales being made at \$10 per ton.

The figures shown are compiled from those of the larger wholesale and retail dealers. They show the minimum cost and maximum profit on retail business, the retailers buying direct from the producing companies f.o.b. Lake Erie ports. A great deal of the supply of the producers is sold wholesale to dealers f.o.b. Port Arthur and Fort William, on which sales a maximum profit of about 50 cents per net ton is made.

The smaller retail dealers who buy from the wholesalers and producers who stock at the head of the lakes, have to pay up to 50 cents per ton more for their coal, and as a consequence their profits run somewhat less than the figures as shown above, but because their overhead and fixed charges, taking into account shrinkage and loss through degradation, which they are largely free from, would be somewhat less than those of the larger concerns, their average profits would be for the past four years about as follows:—

1913, 65 cents. 1914, 50 cents. 1915, (35 loss). 1916, 25 cents.

BRANDON, MANITOBA.

	1913.	1914.	1915.	1916.
Cost f.o.b. Port Arthur or Fort William.. ..	\$6 80	\$6 90	\$6 90	\$7 15
Freight.. ..	3 50	3 50	3 50	3 50
Overhead and delivery charges.. ..	1 15	1 15	1 15	1 25
Total.. ..	\$11 55	\$11 55	\$11 55	\$11 90
Selling price.. ..	11 85	11 85	11 85	12 18
Profit.. ..	\$ 0 40	\$ 0 30	\$ 0 30	\$ 0 28

The cost prices as will be noted are given f.o.b. Port Arthur or Fort William as the bulk of coal is purchased through Winnipeg wholesalers at the head of the lakes.

The overheads and delivery expenses as given are in my opinion entirely too low. This fact is ascribable to inefficient cost accounting. If all items which should enter into this cost were taken into account I figure that the margin of profit shown for 1916 would be wiped out.

From this point west anthracite coal does not to any great extent figure as a fuel necessity and as prices further advance anthracite will be altogether superseded by western bituminous and lignite coals. Recent advance in cost and the long and expensive freight haul have already curtailed its use, and as Canada from Brandon, or I might say Winnipeg west, can get along very well without anthracite and obtain sufficient quantities of our own domestic coal at less cost for all needs and purposes, no object of this report can be served by the supply of any extensive data covering points further west. We are approaching the section of Canada where lignite and bituminous rules for domestic purposes. However for purposes of comparison I will give some figures prevalent at a few of the principal centres, Brandon and west, covering local bituminous and lignite, also anthracite, where at some places a small quantity is shipped in.

Selling prices during 1916:—

BRANDON.

Bituminous, Souris lump.. ..	\$5 25 net ton.
“ Tabor “	9 50 “
“ “ “	8 50 “

These figures when compared with anthracite prices, tell their own tale

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REGINA, SASK.

Anthracite—	1913.	1914.	1915.	1916.
Cost f.o.b. Winnipeg.. . . .	\$6 80	\$6 90	\$6 90	\$7 15
Freight.. . . .	4 50	4 50	4 50	4 50
Overhead and delivery charges.. . . .	1 25	1 25	1 35	1 50
Total.. . . .	\$12 55	\$12 65	\$12 75	\$13 15
Selling price.. . . .	13 00	13 00	13 10	13 55
Profit.. . . .	\$ 0 45	\$ 0 35	\$ 0 35	\$ 0 40

Only a small quantity is handled. Not more than 5 per cent of the consumption.

Western bituminous sold at Regina last season at \$8.50 per ton, Souris lump at \$5.50 and Lethbridge nut at \$7.

SASKATOON.

Only a very few cars of anthracite were handled here during the last four years. It cost about as follows, f.o.b. Saskatoon.

	1913.	1914-15.	1916.
Cost.. . . .	\$11 45	\$11 50	\$11 80

It retailed at from \$13 to \$13.50 which when minimum overhead and delivery charges are added to the cost of the coal gives a very small margin indeed.

The principal fuel used here is the Western lignite which cost delivered during 1916 from \$8 to \$8.15 per ton and retailed for \$8.50.

ALBERTA.

Practically all of the coal used in this province, with the exception of a small percentage of near anthracite mined at Banff, Bankhead Mines, is confined to local bituminous and lignite, and below will be found costs and selling prices prevailing during the past four years:—

CALGARY.

	Cost at mine.	Freight.	Charge.	Unloading.	Comm.	Selling Price.
1913.. . . .	\$3 85	\$1 80	\$0 50	\$0 15	\$0 70	\$7 00
1914 to August.. . . .	3 85	1 80	0 50	0 15	0 70	7 00
1914 to December.. . . .	3 85	1 40	0 50	0 15	0 70	6 60
1915 to August.. . . .	3 85	1 40	0 50	0 15	0 70	6 60
1915 to December.. . . .	3 25	1 40	0 50	0 15	0 70	6 00
1916.. . . .	3 25	1 40	0 50	0 15	0 70	6 00

From the above figures it will be seen that instead of this class of coal advancing at this point the cost has been reduced both as to mine cost and freight. I understand that the cost at the present time is 25 cents per ton higher at the mine, making the selling price \$6.25. The commission shown is gross out of which has to be deducted overhead costs outside of cartage and unloading, which leaves a very small margin of profit to the dealer.

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NEAR ANTHRACITE.

From Bankhead Mines.

Years.	Coal.	Cost at Mine.	Freight.	Charge.	Unloading.	Selling price.
		\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.
1913	Furnace size.....	5 65	1 45	0 50	0 15	{ 8 75
	Nut.....	4 20				{ 7 00
1914	Furnace size.....	5 65 to	1 45	0 50	0 15	{ 8 75
	Nut.....	4 20				{ 7 00
	Furnace size.....	5 65 from	1 10	0 50	0 15	{ 8 50
	Nut.....	4 20				{ 6 75
1915	Furnace.....	5 65	1 10	0 50	0 15	{ 8 50
	Nut.....	4 20				{ 6 75
1916	Furnace.....	5 65	1 10	0 50	0 15	{ 8 50
	Nut.....	4 20				{ 6 75

The reduction of 35 cents per ton in the freight rate in 1914 caused a reduction of 25 cents per ton in the selling price, but as there is an additional charge of \$2 per car switching this about takes up the other 10 cents per ton saved in freight.

The above selling prices it will be noted only show a margin of from 70 cents to \$1 per ton, but when other overhead charges are taken into account there is a very small profit left.

EDMONTON.

There is no anthracite coal handled or used in this city. Average cost and selling prices:—

	Cost at Mine.	Freight.	Handling and delivery.	Selling prices.
1913... ..	\$3 25 to \$3 50	\$0 40	\$0 80	\$4 50 to \$5 00
1914... ..	3 00 to 3 25	0 40	0 75	4 00 to 4 50
1915... ..	2 25 to 2 75	0 40	0 50	3 25 to 4 00
1916... ..	2 75 to 3 25	0 40	0 60	3 75 to 4 25

From the above figures it will be seen that very cheap coal is available in this city, chiefly on account of the excessively low freight rate. Also there has been a considerable reduction in cost during 1915 and 1916 as against the two previous years, 1913 being the highest of all.

The selling prices seem to me to be remarkably low, showing in fact scarcely any margin of profit, and this in the face of the more than modest figures allowed for handling and delivery, the same seeming to decrease each year instead of advance as they have in other parts of the country, owing to increased cost of doing business. I am inclined to think that the dealers are figuring this item altogether too low and that if an accurate overhead was figured out, it would be found that no profits were being made in the retail coal business. With some it is a “side line” merely.

As mentioned before there is a small quantity of near anthracite in this province, at Banff. The total output for 1915 was 125,732 tons. I take these figures from the annual report of the Department of Public Works of Alberta. This coal costs about \$2 per ton more at the mines than lignite. Only about 20,000 tons were used for domestic purposes in the province during 1915.

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BRITISH COLUMBIA.

Practically all of the coal used for domestic purposes in this province is bituminous, locally mined, the very small proportion of near anthracite shipped in from the Bankhead Mines of Banff not being worth taking into account as the tonnage is so small.

The coal conditions in British Columbia from mine costs right along the line to retail selling prices, were very thoroughly gone into by a Royal Commission appointed by the British Columbia Government in 1913. A most comprehensive report was issued and as costs and selling prices have not materially changed since that time I will not embrace any figures relative to this province in this report which after all is intended to deal with anthracite conditions only. To transport anthracite from the head of the lakes at a rail freight of about \$8 per ton would make the entry of Pennsylvania anthracite into competition with domestic coal out of the question. Accordingly British Columbia does not use anthracite coal. But I may state as a matter of interest that the average retail selling prices of coal in the three principal coast cities of New Westminster, Vancouver and Victoria during the past four years have been about as follows: Lump, \$7.50, and nut \$6.50 per short ton. From these prices it can be seen that the consumer in this part of the Dominion is in an enviable position as compared with his brethern in Central and Eastern Canada.

SECTION III.

COST AND SELLING PRICES DURING WINTER OF 1916-17.

The main cause, in my opinion, of the higher prices which prevailed during the past winter was the failure of the larger producers to complete a great many of the orders taken by them, the average discrepancy being from 25 to 35 per cent. This made it necessary for dealers to go into the open market and secure supplies from independents or wherever they could, and at enhanced prices, in all cases away above the ordinary or circular prices. I will now consider the circumstances affecting particular districts and cite the presently ruling costs and selling prices.

HALIFAX AND ST. JOHN.

In my previous references to these cities and the Maritime Provinces in general I very fully explained their position and afforded reasons for the scarcity and high prices. There had been no enhancing of prices by dealers, so far as I had been able to learn, in order to secure excessive profits. The conditions were due to the increased cost of coal in New York and Philadelphia and to higher freights. A great many of the dealers were caught short of coal and had to fill at a loss many orders contracted for at much lower prices than they were able to buy for in any available market. Prices as high as \$11 and \$12 per ton were paid f.o.b. shipping point, meaning \$9.82 to \$10.72 per net ton. Add to this \$4 to \$4.50 per ton freight and we get \$13.82 to \$15.22 on boats at destination, not to mention overheads and handling costs. Coal purchased at these prices was retailed at \$15 and \$16 a ton to new buyers.

The following extracts taken from communications received from a couple of the principal dealers in St. John will be of interest:—

December 12, 1916.

First,—

During October and November the anthracite prices in New York advanced in a few weeks from the circular prices to prices ranging up to \$12 per ton f.o.b.

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"By strenuous efforts we were able to secure a small quantity of coal before prices advanced to their highest. This coal cost us \$7.50 in New York, \$3.50 freight, 25 cents insurance and other charges and \$1 handling charges here, making a total of \$12.25 per gross ton or about \$11 per net ton delivered to consumer. Our selling price for this is \$12, but we had to restrict orders to small quantities until we could see a chance to get more coal and we have also had to use a large portion of this \$11 coal to fill orders taken earlier in the season at \$9.50 and \$10.

"Thus in spite of our best efforts to secure coal our volume of sales of anthracite this year has been greatly reduced, and as we are making almost as many losses as profits on our deliveries we do not expect to be able to show any profit on our anthracite business this year."

Second,—

"FEBRUARY 10, 1917.

"In closing I think that the price of \$12 ruling in November needs some explanation. With that in view I wish to say that the costs of feed, teamsters' wages, yard labour, and all that kind of thing have not only advanced but the quality particularly of labour, is not as good as before the war, and turns out less work while demanding a higher wage. In addition to that the price of coal in New York, where ours come from at the time these prices were set was close to selling prices in St. John, so that the replacement value of coal we had in stock was dollars more than the local price.

"Next May if the coal market eases off any of the stock that we have on hand will practically net us a loss of \$5 per ton. So this price of \$12.50 ruling in November while it might seem high as compared with the actual cost, it is not high when these different items are taken into consideration. Personally I am much exercised as to how the season is going to turn out.

"It looks at the present time that there will be few if any dealers who will make any money here this year."

The above quotations in my judgment thoroughly and truthfully explain the abnormal price conditions in the Maritime Provinces.

The prevailing April prices there have been \$12.75 to \$13 per ton for coal which cost \$10.50 to \$11 at docks. Add \$1.85 for other expenses as shown in the first section of this report.

QUEBEC AND EASTERN ONTARIO.

QUEBEC CITY.

As about 80 per cent of the coal imported by Quebec is brought in by water which necessitates the transporting of it during the season of navigation on the St. Lawrence, under ordinary conditions the winter stock is practically all secured ahead and stored, thereby freeing the city to a great extent from the extreme conditions which prevailed elsewhere during last winter.

I have not received or heard of any complaints *re* shortage of coal or extreme prices being charged in Quebec, the maximum selling prices being from \$9 to \$9.50 until late on in the winter and early spring, when it was found necessary by some dealers whose stocks had become depleted on account of the excessively long and cold season to bring in extra supplies. For these higher prices were paid. Owing to the difficulty of obtaining requirements through regular producers, this coal cost as high as \$10 and \$11 f.o.b. Quebec and retailed at \$13. This only affected a small tonnage, however.

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Owing to the exhaustion of the supply of cheaper coal this spring a substantial reduction in cost cannot be looked for until the larger tonnage commences to arrive at minimum cost prices.

The prevailing selling prices for the month of April were \$10 to \$12 for coal costing \$9.50 to \$9.80 at the docks. Add \$1.66 for other items of cost.

MONTREAL.

This city with the majority of Eastern Canadian centres passed through a very trying time last winter and there were claims and rumours of excessive charging by dealers. Coal prices at Montreal for purchases in the ordinary way should have averaged not a cent more than in Ottawa where they held firm at \$9 per ton throughout the season, on coal sold by the majority of firms who buy from the large producers, from whom as before mentioned 90 per cent of all anthracite consumed is purchased. The freight rate to Ottawa is 28 cents per ton more than to Montreal, but disregarding this difference on account of higher delivery charges at Montreal comparison with Ottawa prices will be fair. Admitting that the conditions of handling were abnormal, as claimed by a great many dealers, and that many Montreal dealers do not import but buy from Montreal wholesalers at an advance upon actual cost, and owing to excessive delivery charges, etc., surely 50 cents or \$1 more per ton would have amply taken care of these extra costs, making the outside selling price \$10, which in all reason should have been the maximum figure. To prove that this latter price was ample note that some dealers kept within this limit. If this figure was exceeded, and, as alleged, prices all the way up to \$15 per ton in ton lots delivered were asked, and as high as \$20 in smaller lots, these figures indicate pure and simple extortion on the part of dealers, whom the civic authorities if they had the evidence to support their assertions, might promptly have prosecuted. But I understand that some of the poorer classes in Montreal buy from peddlers and corner stores in very small quantities such as 10-pound bags. It may be that the alleged charge per ton has been calculated in some instances upon the basis of these smaller sales. If so, the calculation is unfair. It is very questionable on account of the extra cost of handling, bagging and delivering such small lots whether there is more profit in sales made in this way at the rate of \$20 per ton than in whole ton sales at \$10 or \$12. Such shops and peddlers are absolutely necessary in the poorer districts of large cities, for, regrettable as it is, many of the very poor are only able to buy coal in the most expensive manner—in minute quantities. Further, I have to admit that there have no doubt been some cases where very high figures could be justified. For example, dealers who were required to deliver coal at no matter what price, were forced (by reason of not being able to obtain additional supplies from reliable producers at circular prices) to purchase from independent or “outlaw” companies at very high prices indeed. This condition developed at one stage in nearly every city, but such necessity of purchasing new supplies in a hurry was rare and did not affect the general situation to any great extent.

April prices were fair at about \$9.50 for coal costing about \$6.35 f.o.b. Montreal. Add about \$1.95 for operating and delivery costs. Note that these prices are those of the largest dealers, who resell the bulk of their importations to other Montreal and other dealers at a reduction from retail prices. The cost to such other dealers would be about 40 or 50 cents per ton higher. Many Montreal dealers do not import their coal. Montreal wholesalers, when selling at retail, are evidently accustomed to fix their prices so as to allow ordinary retailers an opportunity to sell at a profit. This condition probably tends towards higher prices than in cities where all dealers import direct.

OTTAWA, ONT.

While conditions looked dark for a time in this city there was no actual famine owing largely to judicious handling and distribution of stocks by the dealers at critical times.

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The prices held firm at \$9 per ton throughout the winter and \$9.50 in half lots. These prices were still being quoted in April and are quite reasonable. The coal costs about \$6.60 per ton f.o.b. Ottawa. Add \$1.62 for operating and delivery costs.

KINGSTON, ONT.

As mentioned under this city's heading when formerly quoting costs and selling prices, Kingston coal dealers (as well as the dealers at other ports on the upper St. Lawrence and lake Ontario) import a full year's supply during the season of lake navigation. This is done because water freights cost much less than all rail. As previously stated a coal famine attended by excessive prices is not likely in the mentioned cities and towns. All through last winter Kingston had plenty of coal at normal prices.

The average prices prevailing during last winter season were \$7.75 to \$8.25 or on an average \$8. April prices ran from \$8.25 to \$8.50 for coal now temporarily costing about \$6.75 f.o.b. Kingston. Add \$1.70 for operating and delivery expenses.

WESTERN ONTARIO.

TORONTO.

Toronto suffered to a greater extent from the abnormal conditions of last winter than most of the smaller cities in Ontario for the same reasons already explained when referring to Montreal. A large population required a vast tonnage to answer its wants. There was a lack of sufficient coal to comfortably take care of requirements and a condition of actual famine was narrowly averted by the extraordinary exertions of the coal dealers individually and through the local Ontario Coal section of the Retailers Association. The civic government, too, did its part. In the result the prices to consumers rose but little above normal and no advantage was taken to enhance prices. These statements apply to the general run of dealers. While no cases have come to my notice, I do not doubt that there were some exceptions, as there are always some concerns in every community which are ready to take any advantage, fair or otherwise, in order to benefit themselves. I am certain, however, that there was very little of this sort of thing in Toronto.

Also as has been the case all along the line, a certain percentage of requirements during the winter were purchased at higher than circular prices. The large producers not being able to fill orders it became necessary to resort to the independents. These commanded higher prices and the coal thus acquired when not used to fill contracts at a loss was necessarily resold to casual purchasers at a reasonable advance.

The prevailing average selling prices during the winter were from \$8.50 to \$9.50, striking a fair average at \$9. A straight price of \$9 prevailed in April. The coal averaged in cost all around about \$6.60 f.o.b. Toronto. Add \$1.87 for operating and delivery costs. In Toronto, as in Montreal, many dealers buy from wholesalers, and do not import direct. The wholesalers' cost would be about 50 cents per ton less.

HAMILTON.

The same abnormal state of affairs was general last winter in Hamilton as elsewhere east of the Great Lakes and need not again be specially mentioned except in connection with any special local circumstances. Previous references as to supplementary supplies purchased through independents with resultant higher prices to consumers as noted under Toronto can be applied to all other cities.

In Hamilton the general selling prices, considering conditions, were claimed to be slightly above normal. So far as returns to this department are concerned no exception could be taken to the prices charged during the winter. The prevailing price dur-

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ing the early winter, that is up to the early part of January, was \$8.50 per ton. In January a minimum advance of 50 cents per ton was made by most dealers, who when questioned as to the necessity of this increase replied that they were forced to make a higher charge because only about 60 per cent of their contracts at circular prices having been filled they were obliged to go into the open market for the balance which necessarily cost them a great deal more. This has been the main reason for higher prices in 90 per cent of cases. By way of emphasis I subjoin a quotation from a report of one of the principal firms in Hamilton:—

“JANUARY 29, 1917.

“We advanced our price 50 cents per ton on the 19th on anthracite. The advance is only to transient trade, however, of which we have very little, and we have in very many instances had to refuse deliveries even at the advanced prices in order to protect our regular customers to whom we are delivering at the prices originally contracted for. The mines that supply us have only been able to give us about 60 per cent of our requirements and we have been compelled to buy in the open market at greatly advanced price, and we should be charging considerably more for the coal in order to break even. For November and December our loss was an average of 47 cents per ton. We would be very much surprised to hear of any such thing as a profit in the coal business in Hamilton this year, at least.”

The average price during April was \$8.50 per ton, for coal costing about \$5.85 on an average. Add \$1.64 for operating and delivery costs.

ST. CATHARINES.

Late fall and early winter prices were \$8 to \$8.25. From January and right through to April the selling prices were \$8.25 to \$8.50. The price for April was \$8.50 flat for coal costing about \$5.80 f.o.b. St. Catharines. Add \$1.53 for operating and delivery expenses. An increase in January was due to an advance in the cost price and a shortage, necessitating making of deliveries in quarter and half ton lots.

LONDON.

The average winter selling prices were \$8.50 to \$9. The April prices have been \$8.75 to \$9, the coal costs about \$6.30 f.o.b. London. Add \$1.63 for operating and delivery expenses.

ST. THOMAS.

The winter selling prices were the same as those of London. The April price has been \$8.75 flat for coal costing normally about \$6.30 f.o.b. St. Thomas. Add \$1.60 for operating and delivery expenses.

BRANTFORD.

Selling prices in the late fall and early winter were \$8.25 to \$8.50. During midwinter when the shortage was acute as high as \$9 price prevailed.

The average selling price for April was \$8.50 for coal costing \$6.10 f.o.b. Brantford. Add \$1.60 for operating and delivery expenses.

PETERBOROUGH.

The average selling prices during the early winter were \$8.50 to \$8.75 per ton. In midwinter and during the shortage period up to \$9.50 was charged. The April price was \$9 for coal averaging in cost \$6.50 f.o.b., Peterborough. Add \$1.60 for operating and delivery expenses.

The selling prices in other western Ontario cities and towns average about the same as in the immediately above-mentioned centres.

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NORTHERN ONTARIO.

NORTH BAY.

The selling prices during the early winter were \$9 to \$9.50, and ran as high as \$10.25 during midwinter when the shortage became acute.

The April selling price was \$9.25 for coal costing about \$7.10. Add \$1.55 for operating and delivery expenses.

SUDBURY AND COPPER CLIFF.

Costs here are considerably more than at North Bay on account of about 80 cents per short ton higher freight.

The selling prices in December last were \$9.50 to \$10.50. During midwinter owing to the difficulty of getting supplies and dealers having to pay as high as \$11 laid down in coal yard, prices ran as high as \$12.

The April selling price was \$11 for coal costing about \$8.25. Add \$1.58 for operating and delivery expenses.

SAULT STE. MARIE.

Owing to the fact of the "Soo" being a lake port and the bulk of coal consumed being freighted during the season of lake navigation and stored to take care of winter business, no abnormal conditions affecting all-rail centres were felt there, prices remaining normal for the past season at \$9 to \$9.50 per net ton delivered. The price in April was \$9.50 for coal costing, everything considered, \$8.50.

The following, quoted from a communication received from one of the leading coal dealers of Sault Ste. Marie under date of March 5, regarding this year's outlook, will be of interest:—

"Regarding the future situation you may look for a decided increase in the cost of coal within the coming year. The operators at the mines are asking more but will not contract for any quantity in particular. The steamers are asking 75 cents to \$1 per ton freight, according to the despatch they are guaranteed. We are paying \$3 per day for the common labourer, where in 1914 we could get all we required at \$1.75. I expect the conditions will force the price of anthracite coal up to \$9.50 to \$10 per ton."

WEST OF GREAT LAKES.

As already mentioned, entirely different conditions govern the anthracite coal situation at Port Arthur and Fort William and west than those operating in Eastern Canada, because the year's supply has to be brought in during the season of lake navigation. This enables that part of the country to avoid any such crisis as was experienced in the East during the past winter both as to shortage and high prices. Under such conditions the selling prices from last fall up to April remained normal and fair with relation to cost. They averaged as follows:—

Port Arthur and Fort William, \$9 to \$9.50 (the April price was \$9.50 for coal the gross cost of which was about \$8.75). *Winnipeg*, \$11.25 (the April price was the same for coal, the gross cost of which was about \$10.75).

Brandon, \$12.25 to \$12.50 and in some cases as high as \$13 (the April prices were \$12.75 to \$13.25 for coal the gross cost of which was about \$12.20).

Regina, \$13.75 to \$14 (the April price was \$14 for coal the gross cost of which was about \$13.10).

From Brandon west, Pennsylvania anthracite is not used to any great extent owing to the high costs as against Western domestic lignites and bituminous coal. See comparative figures for Brandon and Regina. It is only a question of time when the

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exportation and storing of large quantities at the head of the lakes will be at least greatly curtailed because of enhanced cost prices, and the difficulty in securing sufficient tonnage. This will be felt to a large extent this season, from present indications, as eastern dealers are having more trouble than ever before in getting their orders filled. The outcome will be that western coal will gradually capture the whole of the market west of lake Superior.

It can hardly have escaped observation that rates for the months of April show in most cases a larger than ordinary profit. This enhanced profit appears in every case of a purchase made by a coal dealer during that month through the regular channel—the larger operators. On April 1, as already stated, a reduction of 50 cents per ton from “circular prices” goes into effect. In the ordinary course the retail dealers give the benefit of this spring reduction to the consumer, raising their prices ten cents or so per month as the amount of the premium allowed by the coal operators is automatically reduced throughout the summer. The dealers did not reduce their prices during April of this year and hence the profits of many of them for that month were considerably augmented. Upon investigating and inquiring the cause I discovered that because of the uncertainty of the market and difficulty of securing supplies their actual deliveries of coal were running so much below the normal that the apparently greater profit, viewing it on a one-ton basis, was non-existent when considered with reference to the total volume of profits earned in April, 1917, as compared with those earned in the same month of previous years. The dealers considered (and I cannot, upon a sound sense or a sound business basis bring myself to disagree with them) that they were entitled to earn, from such reduced amount of business as the existing conditions enabled them to do, a sufficient profit to carry them through the period of such conditions, more especially because they were, at the time in question, anticipating an advance in both the “circular” cost of coal and in freight rates. The first-mentioned advance has in fact eventuated and the second is on the way. Yet further advances are expected. As to most of the extra profit mentioned it was earned during April only. On the 1st of May a general advance of 30 cents per ton was made in the circular price. On the same date the premium off the circular price in the ordinary course dropped 10 cents. Thus the April excess profit of 50 cents became, in May, but 10 cents. On June 1 this 10 cents will be wiped out by the ordinary monthly reduction of premium. On this same date I have reason to believe that the United States railway carriers of anthracite will advance freight rates 25 cents per ton. Accordingly June purchases will cost the Canadian coal dealer (even he who is able to purchase on the best possible terms) 25 cents more than the March or winter prices. This is a most unusual situation and one of which the consumer ought to be apprised, because, although the Canadian coal dealer is very likely to be held responsible for the higher prices which his higher costs will make inevitable, the operative causes of such higher prices will have had their origin outside of Canada and he will have been utterly powerless to prevent or to control either them or their results. In July the coal per ton will cost the dealer 10 cents higher still, and the same rate of increase will be registered for both August and September. Thus, unless in the very improbable event of a special reduction from “circular” prices, before next fall, anthracite coal will be costing the retail dealer next winter 55 cents more per ton than it cost him last winter, assuming a purchase in both cases on the best possible terms. There is a lesson to be learned right here but I shall not recite it again.

Meanwhile, the prices of retailers generally have ruled for May about the same as those for April. The situation in the Maritime Provinces is not improving. Coal has declined slightly but ocean freights have advanced. Schooner freights from New York to Halifax are now \$5.50 per ton, and even higher figures are being demanded.

SECTION IV.

GENERAL CONDITIONS AFFECTING THE ANTHRACITE COAL BUSINESS IN CANADA.

The conditions existing during the winter of 1916-17 are said to have been the worst ever experienced. Various reasons have been advanced to account for an abnormal shortage which very nearly resulted in an actual famine. Considerable hardship and inconvenience was experienced in nearly every district. It is my purpose to state now what I consider to have been the chief causes contributing to such conditions. My statements are the result of personal investigation and inquiry.

(1) The long and extremely severe winter most certainly was one cause. More than the ordinary amount of coal was required and consumed during protracted periods of extremely low temperature.

(2) The supply of mine labour in the anthracite region was not sufficient to meet the 1916-17 demand. The great majority of the mine workers being European foreigners, some 30,000 or 40,000 of them had, in course of time, answered calls to their colours. When an extraordinary demand for anthracite arose during 1916-17 the labour was unavailable to overtake the excess demand. Extraordinary exertion prevented any great falling-off from the 1915 production. A large surplus from the year 1915 more than made up for a slightly reduced production, but in the result there was not enough coal mined to meet all demands as made. This condition affected prices as well as the supply. There had been supposedly visible during the spring of 1916 a tremendous surplus of stock for disposal during the then coming summer. Much publicity was given to this fact through the press of the Eastern States, and consumers were advised to stock up and take advantage of the summer discounts. The advertising was for the purpose of ensuring the sale of an expected excess production. In that season domestic sizes are usually in excess of the demand. Many United States consumers and some in Canada had followed the advice to lay in their supplies in advance. If the large consumers in this country had done likewise, thus giving the dealers a chance to stock up for the winter demand, a great deal, if not all of the shortage experienced, with incident higher prices, would have been avoided. But they did not. This excessive buying considerably depleted the stocks of dealers, who later, when the shortage developed, were unable to meet the demands of those consumers who from various causes such as lack of foresight, cash or storage capacity, had failed to provide themselves with coal in time. An unexpected shortage had developed affecting bituminous coal, which is largely used for manufacturing purposes. Manufacturers who were unable to procure bituminous were driven to order anthracite instead. A shortage of labour at many coke ovens had reduced the supply of coke and driven into the anthracite market some manufacturers who ordinarily used coke. Reduction of coking operations afforded some relief to the demand for bituminous coal but not enough. Ordinary users of both bituminous coal and coke were consuming large quantities of anthracite instead. The new users of anthracite as a fuel for industrial purposes began to realize the greater value of it as a steam producer, and there arose a very active demand by them therefor, so great a demand, indeed, that the supply ran far short of the requirements, dealers could not secure deliveries, and consumers who had been accustomed to using the small sizes were compelled in a great many cases to resort to the higher priced of the domestic sizes. To this last mentioned cause may be attributed to a large extent the recent shortage of domestic sizes of anthracite in Canada. With these conditions existing transportation failed and production had to be restrained.

(3) Transportation shortage as I believe had most to do with the conditions so far as Quebec and Ontario were concerned. The failure or partial failure of the rail-

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way companies to adequately meet the coal situation was I think the main cause of the shortage. With transportation available coal could have been had. I must admit that these companies were handicapped more than ordinarily by reason of right of way orders given for the prompt handling of a greatly increased traffic in munitions and war material, and that United States railway lines in the east were badly congested late in the season because ocean transportation was unavailable on the Atlantic seaboard by reason of the unrestricted submarine activities of the enemy which had caused a "tie-up" of an enormous amount of railway freight equipment including motive power; but, notwithstanding all these things I believe responsibility for the conditions in Ontario and Quebec rests partially at least with the railways. The motive power on one of our Canadian systems particularly was sadly deficient and was responsible for much delay at the Canadian frontier where the interchange of traffic is made. As a direct consequence of such delay embargoes were placed on coal for Canadian points by American lines. This action naturally resulted in the unnecessary tying up of much coal equipment and the delaying of the return of empties to the mines for reloading. Distribution was restricted at a time when every last pound was needed and in demand. One of the excuses given was that extremely low temperature and heavy snow storms had blocked up the yards and prevented the schedule handling of freight trains, but those are not uncommon winter conditions in Canada, and it seems that if sufficient and powerful enough motive power had been available this difficulty could have been very greatly minimized and perhaps entirely overcome.

HOW TO PROVIDE AGAINST A REPETITION OF SUCH A CRISIS.

It is more important, however, to provide, if it can be done, against a repetition of last winter's conditions than it is to fix responsibility for them. Superficially the problem of providing against a winter coal famine presents no great difficulty. "Simply ship in enough coal during the spring and summer months when the coal can be more easily handled by the railways and when a sufficient output is available at the mines." This undoubtedly can be done. Abundant stocks are available under ordinary conditions. But, who is to do the buying, the paying and the storing? The coal dealers? If they could, and no doubt they would, provided they could finance such a large undertaking, secure sufficient storage, and see a fair return in the operation, the problem would be solved. But, the suggested superficially simple solution is really out of the question, for under existing conditions it would be impossible for the dealers, excepting a few large concerns, to attempt to lay in anywhere a sufficient surplus stock early in the season for delivery and sale from six to eight months later. Lack of capital and insufficient storage room would prevent. It must be borne in mind that the purchase of coal from producers is practically cash business, monthly settlements being required. The coal dealers as a class simply cannot shoulder this responsibility.

It may not be generally known that while the dealers are able to contract with the large producers or sales companies for their supplies of coal for future deliveries, no prices or tonnage are guaranteed or protected. Here are the terms of purchase:—

"All prices being subject to change without notice and all sales subject to circular price in force at time of shipment without regard to date that orders are entered."

The following copy of a notice sent out to their customers by a large sales company at the time of the last advance in prices, affords an illustration of the operation of such terms as between producers and dealers:—

"Prices in various sizes of coal will be advanced on March 1. If we have any unfilled orders on your account that we are not free to ship at March prices, please advise us at once to cancel."

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It will thus be seen that coal dealers are only sure of the cost price of such coal as is in their immediate possession or en route, they having no protection whatever on so called contracts. They have to pay the prevailing circular price in all cases. On the other hand dealers are expected to enter and actually do enter into contracts with individuals, companies, and municipal corporations for future deliveries at the prices in force on the date that the contract is entered into. This one-sided arrangement does not look like good business. Indeed it is not good business on the part of the dealers, for they are pledging themselves to make future deliveries at figures which, taking the past season's advances in cost at the mines plus the extra high handling and delivery charges as an example, may wipe out any profit on the contract or, as has actually happened in quite a number of cases disclosed during my investigations, the coal may have to be delivered at a loss.

This one-sided contract system is said to be a relic of the days when contracts for future deliveries at set prices could be entered into by dealers with producers. When the conditions changed, the dealers, from various causes, such as keen competition and fear of losing business, failed to change their method of dealing with the public. This is the dealers' own lookout and the consumer cannot be blamed for taking advantage of such contract system provided always that under it he can be sure of getting deliveries. The events of the past winter have shown that deliveries cannot always be depended upon. A dealer may figure upon and order certain quantities for delivery throughout the summer, fall and winter months so that he may be ready to fill his contracts with his customers and as well handle current business. Then owing to a shortage say that only 60 to 75 per cent of the quantity ordered is received, which has been a fair average, locally, for the past season, then all are practically in the same boat, for, contract or no contract, if there is not enough coal available or en route for delivery the consumer has to go without. The retail coal dealer's customers may be divided into three classes.

1. Contractees, embracing large users such as manufacturers, proprietors of wholesale houses, owners of office buildings and some householders, municipalities, etc.

2. Regular seasonal buyers, such as householders, who purchase not under contract, and

3. The small buyer of ton or half-ton lots at a time.

These buyers are naturally taken care of in the order named. The dealer is bound to perform his contracts, so that the buyer who is really paying the lowest price for his coal is the one whose needs are first filled, the regular customers come next in order, and the buyer whose financial circumstances do not enable him to bargain for or to provide a stock ahead has to take his chances last, paying the highest prices and standing the poorest chance, in case of shortage, of being supplied at all.

So much for the conditions. What is the remedy? It is conceded that the only sure way of having enough is to get in enough during the spring, summer and early fall to last through the following winter and spring. What is the best way of doing this? What stands in the way of its being done? The chief obstacle in the way of doing it is the selling by contract system. This is the one weak point in the armour of the dealers. They are carrying such a financial risk for the benefit of contractees that they dare not assume the burden of the further financing necessary to the increases of their actual stocks. They could obtain instant relief from this burden if they should refuse to enter into contracts for future deliveries except on the terms and at the prices in force at the time of such deliveries. These are the conditions imposed upon them by the producers. An immediate result would be that the large users, who are in a position to purchase, and who do purchase in large quantities at the lowest figures, will buy and pay for, and get their stocks in and stored during the season

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when such low prices are in force. Being financially able to do so, they will as a matter of business take advantage of the best terms. This course would care for and dispose of the larger percentage of the coal imported each year, and as I am advised by many dealers consulted would solve the difficulty. It has one striking advantage,—it puts the solution up to those financially able to bear it. The smaller householder could, under these conditions, and I am assured that he would, be very well taken care of. The dealers would have the cash to buy, the storage to spare and would be free of the risk and loss incident to the contract selling system, one but slightly different from pure gambling, so far as the dealer is concerned. Another and important point in the same connection is that, under the suggested changed system of selling, cheaper coal would be available for the small consumer who can afford the expense. By far the greater tonnage of coal requirements would be brought in during the late spring and summer when costs are at the minimum, and stocked for winter sales, instead of as at present, the greater quantities being now imported during the season when mine prices and cost of handling are at their maximum.

RESTRICTION OF CONSUMPTION AND SAVING.

I wonder whether in these days, when saving is no longer out of fashion, a word concerning possible economics in the use of coal would be considered fitting for inclusion within such a document as this.

If steam and furnace heating of households could be started two weeks later and discontinued two weeks earlier than is customary it would mean a month subtracted from the period of consumption and a saving per household of an average of about a ton and a half of coal, at times when household heating is not a vital necessity. With coal at \$9 per ton the saving per household in money would be \$13.50. To the nation the aggregate saving would amount to an immense sum. It would cause no hardship and but slight, if any, discomfort. Its results in all probability would be beneficial to health. The practice of commencing the heating of dwellings early in the fall and continuing such heating almost until summer, is of comparatively recent institution. It is one of a number of luxurious and extravagant habits of our age. The suggested economy might mean the saving of just the quantity of fuel that might be needed to relieve some mid-winter coal crisis at a time when the temperature might be hovering around "twenty below."

Another important saving might be brought about by conserving and making the best use of the supply—by more careful and intelligent operation of the heating units. It is said that about ten per cent of all coal burned is wasted through ignorant or careless handling of furnaces and stoves. The waste may occur in many ways. Non-regulation of fires to the weather conditions is probably the most common. The fires are allowed to burn too freely in the milder weather and late at night when all are sleeping and would be the better for much less heat. By careless shaking, a lot of good fuel is allowed to escape with the ashes, which are but slightly sifted if at all, and from which a very slight percentage of recovery is made. If the waste referred to in fact amounts to 10 per cent consider what this means to a city like Ottawa, for instance, with coal at \$9 per ton. The yearly consumption of that city is in round figures 140,000 tons. The saving would amount to \$126,000 per year. Adding to this possible extra saving that which would ensue if a month were off the season of consumption which would mean something like an additional \$200,000, we reach a total of \$326,000. The saving for all Canada would exceed \$8,000,000. This surely would be worth while.

WHOLESALESA, PEDLARS, ACCOUNTING SYSTEMS, ETC.

WHOLESALESA.

In the larger cities there are a number of companies who carry on an altogether wholesale business or a combined wholesale and retail trade. They import large quantities and supply and distribute to smaller dealers in their home cities either in car-

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load lots or less, also to dealers in other smaller communities. The average profit made in this business is about 25 cents per ton in carlots, although as low as 5 cents to 10 cents per ton is very often the figure. On less than carlots as high as 50 cents per ton is accounted and is a fair profit. This additional cost to a great many dealers does not generally affect the current selling prices they being in the majority of cases under less expense than the larger concerns, the difference in their overhead, fixed and delivery charges about averaging up the general costs. The wholesaler fills an important and invaluable place in the coal trade for the principal reason that his large purchases at the lowest market prices guarantee the importation of a large percentage of the tonnage brought into Canada and to a very great extent prevent the enhanced selling prices which would rule if only the smaller dealers imported. As these could only afford and would only need to purchase and contract for small supplies at a time, and as their requirements demanded, they would be very often forced to go into the open market and to deal with the so called "independents" especially in the event of the existence of such conditions as we have just passed through; if indeed the conditions referred to are yet at an end.

PEDLARS.

The coal pedlar trades altogether with the poorer people and buys in very small lots from the wholesaler, hawking or peddling the coal through the poorer sections of the larger cities. Such dealers supply the wants of a section of the population who otherwise would find it extremely difficult to get the very small quantities which their means and the existence of this class of dealer enable.

ACCOUNTING AND COSTS SYSTEMS.

A far too common lack in the great majority of other lines of trade is evidenced among coal dealers as well. Up-to-date methods of accounting and of ascertaining costs are most rare even with the very largest of firms. It is becoming better recognized year by year that to safely and intelligently conduct any business it is absolutely essential that correct cost figures be worked out. Otherwise a business can be likened to a ship without a rudder. It is liable to drift upon the rocks of insolvency at any time.

A few pertinent remarks in this regard as made in an address before the National Foreign Trade Council of the United States in January of this year by Mr. Edward N. Hurley, until recently chairman of the Federal Trade Commission follow:—

"It is a fact well understood among business men that the general demoralization in a large number of industries has been caused by firms who cut prices not knowing what their goods actually cost them."

"The cost of selling which is equally important is often almost wholly lost sight of."

"The man who does not know his true costs is the man who prices his goods foolishly and thereby impairs the business of his sound competitors at the same time that he ruins his own."

"Too low price making based on guess work or on partial costs is a menace to sound business."

In a previous report I have quite plainly expressed and elaborated an opinion which I now repeat—that selling below cost whether as the result of deliberation or of accident under such circumstances as to result in business failure, produces not a gain, but instead a loss to the ordinary customer, upon whom in the last analysis all business losses fall to be made up and recouped. Paradoxical as it may seem, I believe that I state an economically sound proposition when I claim as I do, that

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selling below cost is often a potent and patent cause of high prices. The competitor who through carelessness or ignorance induces his own removal from the field of competition leaves it free of the restraining influences which his continued presence in it afforded. Wherefore it is to the consumer's interest that all competitors should earn such fair profit as may enable them to survive and to compete. The public is quite reasonable. It does not insist upon purchasing below cost. It wants to know, it wants to be sure, just what the real costs of the various essential commodities are, and it is willing to pay such fair and reasonable profits as will enable business to be carried on. But as I believe it has no patience with the merchant or manufacturer who does not know what his costs are. Such a one in his ignorance is as likely to overcharge as to undercharge. He is a menace as much to himself as to the consumer. His presence in business does not conduce to the health thereof. Once upon a time, it was before I commenced these investigations into the cost of living, (which have enabled me to become closely familiar with the inside workings of many business houses) I used to wonder why such a large proportion of seemingly capable business men came to grief as such. I think that now I know. They did not know their costs. They supposed that they were making profits when they were not. They were carrying unprofitable lines but they did not know it. They were victims of dishonesty but they did not know it. Perhaps they were too "economical" to incur the expense of instituting a proper costs accounting system, and so, in saving the expense they sacrificed themselves and their creditors.

I have found in connection with the returns upon which this report is based that the securing of anything like correct costs, so far as overhead, fixed, and delivery charges were concerned was almost impossible. For a while I nearly despaired. The great majority of the records furnished at first were quite evidently mere estimates, in some cases wild guesses. With some assistance, however, most dealers were enabled to make a fair computation and by comparing results by localities I was enabled to reach what I believe to be approximately correct results, being those shown in section II of this report.

I would strongly recommend that the majority of the coal trade go thoroughly into this phase of their businesses and install up-to-date accounting and cost methods even at some expense, for such action will surely lead to a saving in the end, through the stoppage of leakages and the suggestion of economies, perhaps indeed the forestalling of financial wreck.

THE PRESENT CONDITIONS AND THE FUTURE OUTLOOK.

The existing conditions are extremely uncertain. Prices have not been much reduced. The normal prices of the past winter still prevail. This unusual spring condition is due to the fact that very little coal has been available and cost prices are uncertain owing to an anticipated increase of miners' wages entailing a further advance in coal costs at the mines. An increase in freight rates is said to be imminent. If these advances eventuate they mean higher prices for coal.

The outlook for the coming season therefore, is not of the brightest and, unless a great change takes place, it is going to be extremely difficult to obtain anything like a sufficient quantity of coal to care for all wants. If the mines are worked at top speed with no strikes or other troubles, throughout the summer months, a very substantial extra tonnage will be produced. So much for that, but it will be necessary for transportation conditions to improve as well. Coal at the mines, no matter in what quantity, is of no use unless it can be expeditiously moved. Lack of transportation was the principal cause of the coal shortage of last winter. Unless an immediate and general improvement takes place it will operate against the possibility of our receiving and storing sufficient supplies for next winter's needs. Given transportation facilities

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there is only one sure way, as before stated, of providing against a shortage during next winter, and that is to stock ahead. The public have been warned and to a great extent are taking the advice given them; the coal dealers are alive to the situation and are doing everything in their power to help out, but how can the dealers or the householder and other consumers, stock up if the coal is not coming in?

I understand that even at the present time several American railroads have embargoes against coal shipments to Canada, not on account of congestion so much as because of a desire to have all possible equipment on hand in case of any emergency. There is known to be a general car shortage in the States and embargoes have been placed by many roads so that they may be in the best possible shape to expedite the movement of war supplies. This is an extraordinary condition caused by the entrance of the United States into the war.

I respectfully suggest that a strong effort should be made at once to remedy these embargo conditions. Some action should be taken too, in my judgment to ensure better coal transportation service by Canadian railway lines. As elsewhere in this report stated, for much of the trouble of last winter one or two of our Canadian railway lines were responsible, their motive power and other facilities having proven entirely inadequate. If there is no improvement ere this coming winter my belief is that the conditions of last winter will re-occur with accentuation. I regard the impending situation with great concern and cannot too impressively state it. I believe that plenty of coal will be available, but I believe that official or government action will be necessary to ensure sufficient transportation therefor.

I feel that it would be improper to attach my name to this report without acknowledgment of the fact that it is in great part the product of the skill of Mr. J. C. Imlay, presently of the Cost of Living staff of the Labour Department. The tabulations of costs throughout are entirely his.